

Answer Key
Sales and Use Tax – Part I
Section C

1. In accordance with **KRS 139.100 (1)(a)** until 7/1/04, and **KRS 139.100** effective 7/1/04, and **KRS 139.200**, it is based on gross receipts from retail sales of tangible personal property (a).
2. In accordance with **KRS 139.230** and **Reg. 103 KAR 25:081, section 2(1)**, use of the bracket system does not relieve a retailer from liability for payment of six percent of the taxable receipts (b).
3. In accordance with **KRS 139.240(1)** every person presently engaged or conducting business as a retailer or seller within this state shall file with the Department an application for a permit. Therefore, every person engaged in this state in the business of selling tangible personal property who purchases tangible personal property (including raw materials) for resale is required to hold a permit in order to execute a valid resale certificate (c).
4. In accordance with **KRS 139.240(1)** every person presently engaged or desiring to engage in or conduct business as a seller within this state shall file with the Department an application for a permit. Therefore, (a) is the answer.
5. In accordance with **Regulation 103 KAR 25:081, Section 2(1)**, the taxable amount must be determined by subtracting the allowable deductions from total receipts (including the tax collected). The balance is then divided by 106 and the result multiplied by 100 (c). \$58,302(c).
6. Same reason as answer to Question # 5.
\$61,132 (b).
7. Effective 7/13/90, **KRS 139.210(1)** was amended to say that the taxes herein imposed shall be collected by the retailer from the consumer.
8. True. **Reg. 103 KAR 25:081, section 2(1)**, indicates that use of the prescribed bracket system does not relieve a retailer from liability for payment of 6% of taxable receipts.

9. In accordance with **KRS 139.230** by applying the 6% rate to the sales price carried to the 3rd decimal place and rounded to the nearest 1¢ by eliminating any fraction less than 0.5¢ and increasing any fraction of 0.5¢ or higher to the next higher 1¢.
10. Yes. **KRS 139.240(1)** requires that every person presently engaged or desiring to engage in or conduct business as a seller within this state shall file with the Department an application for a permit. **KRS 139.390** states that every retailer selling tangible personal property for storage, use or other consumption in this state shall register with the Department. Therefore, a permit would be secured in the name of the home office.
11. No, because **KRS 139.220** indicates that it is unlawful for any retailer to advertise or hold out or state to the public or any customer, directly or indirectly that the sales tax. . . will not be added to the selling price of the property sold.
12. No. In accordance with **KRS 139.240** a taxpayer is required to secure a permit for each place of business. **KRS 139.250** indicates that the permit shall be valid only for the transaction of business at the place designated therein. Therefore, if two or more activities are conducted by the same person on the same premises even though in different buildings, only one permit is required.
13. No. **Reg. 103 KAR 25:081, Section 2(4)** indicates that the bracket system must be used with respect to each sale. Specifically, the retailer shall collect the tax as provided with respect to each sale and the tax may not be collected by the retailer on some sales, but not on others. Additionally, effective 7/1/04, even with the bracket system being eliminated, the tax must be computed by applying the 6% rate to the sales price. . .
14. See answer to Question #10.
15. a. Yes. In accordance with **KRS 139.240(1)** every person presently engaged or conducting business as a retailer or seller within this state shall file with the Department an application for a permit. Therefore, every person engaged in this state in the business of selling tangible personal property who purchases tangible personal property (including raw materials) for resale is required to hold a permit in order to execute a valid resale certificate.
- In addition, AFG Corporation, in accordance with **KRS 139.140**, is considered a seller.
- b. Same application.

16. In that you do have two (2) separate taxpayers, a sale did take place. The tax base would be the actual selling price. There is not a provision in the sales tax law to 'arms length' transactions in situations of this nature.